Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

RECEIVED
2012 DEC -7 PM 4: 06
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO CONVERT SCHEDULE 54-FIXED COST ADJUSTMENT-FROM A PILOT SCHEDULE TO AN ONGOING, PERMANENT SCHEDULE	)))))))	CASE NO. IPC-E-11-19 SUPPLEMENTAL COMMENTS OF THE IDAHO CONSERVATION LEAGUE

The Idaho Conservation League (ICL) joins Idaho Power and urges the Commission to maintain the current design of the Fixed Cost Adjustment (FCA). While the FCA does capture all non-weather related changes in energy sales, this design is both appropriate and delivers the greatest benefits to ratepayers. These benefits include: (1) removing a structural disincentive for the Company to pursue all cost-effective energy efficiency; (2) stabilizing fixed costs revenues, which is an important element in reducing overall capital costs; and (3) creating a strong financial incentive for the Company to control costs. Limiting the FCA to capture only changes in energy sales attributable to Idaho Power's efforts will greatly diminish these benefits and thereby harm customers. The Commission can best align the interests of the utility and ratepayers, and maximize the benefits of the FCA, by maintaining the current mechanism.

ICL acknowledges that the primary objective of the FCA pilot is to remove a company-identified disincentive towards energy efficiency.[1] And although the Commission stated the current FCA "acts as a decoupling mechanism beyond the primary objective" this is no reason to change the mechanism.[2] In this case, the Staff proposed to limit the FCA to only recover forgone fixed cost revenue attributable to Company sponsored efficiency efforts. While the Commission noted this proposal might have merit, it did not recognize or discuss the other benefits to

[1] Order No. 30267 at 13, IPC-E-04-15 (Order approving the original FCA stipulation); Order No. 32505 at 6, IPC-E-11-19 (Order making the FCA permanent and initiating this round of the FCA).
[2] Order No. 32505 at 6.

ratepayers that can arise from maintaining the current FCA design.[3] ICL has raised the benefits—risk mitigation and cost control—repeatedly and no party, or the Commission, have refuted that they are real.[4] Despite this unrebutted evidence, limiting the FCA to only Company sponsored efficiency efforts would abandon these benefits. Abandoning potential benefits without any discussion is a disservice to the public interest. Instead, ICL urges the Commission to recognize the three primary benefits that each independently support maintaining the current design.

An Enhanced Commitment to Energy Efficiency

While maintaining the current FCA, the Commission can ensure Idaho Power continues to pursue all cost-effective energy efficiency. ICL urges the Commission to reinforce the "enhanced commitment" to energy efficiency that was a critical component of approving the pilot program.[5] This enhanced commitment should include at a minimum: (1) a commitment to publicly advocate for updating and adopting Idaho building codes on a regular schedule, along with other legislative measures such as tax code changes, and procurement policies; (2) a consistent effort with Idaho's federal delegation to support appliance codes, tax code changes, budget proposals, and other federal programs that promote energy efficiency; (3) continuing to work with educational institutions at all levels to educate Idahoans regarding energy efficiency and develop a knowledgeable and trained workforce; (4) continuing to develop rate designs for all customer classes that drive customers towards energy efficiency; and (5) establishing a long-term, comprehensive strategy to close the gap between the achievable and economic energy efficiency potential identified in the most recent DSM potential study. Along with continuing to expand current energy efficiency programs, this renewed enhanced commitment will demonstrate that Idaho Power no longer perceives barriers to increased energy efficiency. This is an appropriate and important *quid pro quo* for maintaining the current FCA.

---

[3] Order No. 32505 at 6.

[4] *See* ICL Comments and Reply Comments in this case. Idaho Power addressed the risk mitigation value of the FCA is their reply comments, but disagreed with ICL's proposal to alter the capital ratio. As stated below, ICL is abandoning this proposal while continuing to agree with the Company that risk mitigation is a real benefit of the FCA.

[5] Order No. 30267 at 4,

Staff argues the current FCA may not be spurring greater investment in energy efficiency.[6] However, Staff's recognition that energy savings in the residential class is on par with the industrial class belies this argument.[7] The industrial class rate design, with customer, demand, and energy charges, more fully separates fixed costs from variable costs. The FCA trades this type of rate design for a true up mechanism to accomplish this same objective in the residential and small commercial classes.[8] Further, these classes are traditionally the hardest in which to acquire energy efficiency due to the wide diversity of individuals and the small savings per customers. For the residential class, the fact that growth in energy savings has been on par with savings in the industrial class is a testament to the efficacy of the FCA. While savings in the commercial sector outpaced the residential class, Staff admits they cannot distinguish savings attributable to small commercial, which are included in the FCA, from large commercial, where the rate design more fully separates fixed and variable costs.[9] Regardless, Staff's proposal to weaken the FCA does not address this perceived problem. Rather it is likely to hamper the Company's incentives to purse the "considerable amount of cost-effective achievable energy efficiency" cited by Staff.[10] Maintaining the current FCA incents this pursuit and delivers additional benefits to customers.

The FCA Stabilizes Fixed Cost Revenue

Capturing all non-weather related changes in consumption maximizes the value of the FCA as a risk mitigation tool.[11] The National Association of Regulatory Commissioners recognizes that "decoupling can reduce risk for the utility by ensuring that its revenues and return on investment remain stable."[12] Moody's Investor Services recently reviewed more than a decade of decoupling in California and concluded these mechanisms reduce gross profit volatility

[6] Staff Comments at 7 (This citation refers to the Staff comments filed in this case on March 1, 2012).
[7] *Id.*
[8] *See* Gale Direct at 3-5, IPC-E-04-15, (Mr. Gale explains the Company initially resisted the FCA "believing that significant movement in the rate design would address the same issues that a true-up mechanism would.")
[9] Staff Comments at 7 (While Staff states the small commercial class is 3% of the whole, they do not indicate whether the savings in this sector is evenly portioned between the two rate classes.)
[10] *Id.*
[11] Current ratemaking mitigates weather risks by normalizing sales forecasts, but only the FCA captures changes due to customer counts, customer consumption, and the economy.
[12] NARUC *Decoupling for Electric and Gas Utilities: Frequently Asked Questions* at 9, (2007) (Available at: http://bit.ly/NARUCDecoupleFAQ).

and strengthen long-term credit.[13] This Commission, when initiating the pilot program, recognized this benefit stating: "The annual FCA true-up mechanism assures a more stable utility recovery of fixed costs that are now recovered in the energy rate component[.]"[14] Idaho Power admits this risk mitigation feature in this case.[15] Altering the FCA to capture only changes attributable to Company sponsored DSM greatly diminishes this risk mitigation tool. Exposing Idaho Power to greater revenue volatility will increase borrowing costs and raise customer rates.

The credit ratings agencies recognized that Idaho Power's FCA mitigates the earnings volatility attributable to energy efficiency programs. Standard and Poor's 2010 profile for Idaho Power calls out the benefits of the FCA stating: "we do not consider load loss stemming from the company's significant energy efficiency spending a significant risk at this time, due to a fixed-cost adjustment (FCA) mechanism that decouples certain costs from the energy usage by residential and commercial customers."[16] In 2011 Moody's also highlighted Idaho Power's FCA noting it "attempts to assure a fixed cost reimbursement from customers, independent of the volume of energy used and variable costs."[17] Further, Moddoy's explains these types of tracking mechanisms are "beneficial to a company's credit profile . . . since they should lead to greater predictability of revenue levels and cash flow recovery."[18] Strong credit ratings benefit customers by reducing the cost of capital.

Reducing the scope of the FCA is highly likely to harm Idaho Power's credit rating. Moody's states: "The degree of regulatory support the IPC receives from the Idaho legislature and the IPUC is the most important factor to IPC's credit profile."[19] Further, "the ratings would likely be revised downward if regulatory support wanes, [or] if the various cost tracking mechanism do not support the current level of credit metrics[.]"[20] Standard and Poor's

---

[13] *See* Exhibit 2, SNL Financial LC, *Moody's: Decoupling is positive for utility company credit ratings,* (November 11, 2011)(This article describes the findings of a Moody's report published on November 4, 2011. The report costs $550. As a non-profit organization, ICL has insufficient means to purchase the full report.)
[14] Order No. 30267 at 13.
[15] Cavanagh Direct at 4; Youngblood Direct at 10, 12; Idaho Power Reply at 17 – 18 (These citations refer to Idaho Power's testimony and comments previously filed in this case.)
[16] *See* Exhibit 3, Standard and Poor's Co., *Summary: Idaho Power Company* at 2, RatingsDirect (November 24, 2010).
[17] *See* Exhibit 4, Moody's Investor Services, *Credit Opinion: Idaho Power Company* at 2, Global Credit Research (March 9, 2011).
[18] *Id.*
[19] *Id.*
[20] *Id*, at 3-4.

specifically called out this risk in 2010 stating "the recent Idaho Commission decision to keep the FCA temporarily highlights the uncertainties in determining the credit impact of energy efficiency spending."[21] This uncertainty came on the heels of the Commission's decision to extend the pilot period rather than make the FCA permanent. Similarly, reducing the risk mitigation value of the FCA will continue this uncertainty and deprive customers the benefit of reduced capital costs. Before making any changes to the FCA mechanism, the public interest requires addressing the probable implications to Idaho Power's credit ratings.

The FCA is one part of a broader package of risk mitigation tools that includes the Power Cost Adjustment and the binding ratemaking treatment in I.C. § 61-541. Because of these interrelated effects, ICL does not suggest making any changes to the Company's capital structure or rate of return as part of this proceeding. But the FCA is only valuable as a risk mitigation tool, if the mechanism continues to capture all non-weather related changes in consumption. ICL has raised this value repeatedly and no party has refuted that it exists. Beyond removing the disincentive towards energy efficiency, maximizing the risk mitigation value is a separate reason to maintain the current FCA.

The Current FCA Promotes Cost Control

The current FCA also benefits ratepayers by providing a powerful incentive to control costs. The FCA, by fixing revenue, restricts Idaho Power's ability to increase profits by increasing sales.[22] Idaho Power acknowledges this by describing the "sacrifice of the upside from increased electricity sales" as an offset for "increased certainty about recovery of authorized costs."[23] By establishing a cap on fixed cost recovery between rate cases, the FCA focuses the utility on daily activities that can reduce actual cost below the cap. According to the Regulatory Assistance Project: "because the utility cannot increase profits by increasing sales, improved operational efficiencies is the *only* means by which it can boost profits."[24] While the utility enjoys the immediate benefits of reducing costs, these benefits will flow to ratepayers in the next rate case. Along with removing disincentives towards energy efficiency and mitigating risks, maintaining a strong cost control incentive is a third reason to maintain the current FCA.

Limiting the FCA Creates a Perverse Incentive That Harms Ratepayers

---

[21] Exhibit 3, Standard and Poor's, *Summary: Idaho Power Company* at 2.
[22] *See* NARUC at 9; Regulatory Assistance Project, *Revenue Regulation and Decoupling: A Guide to Theory and Application* at 45 - 46, (June 2011) (Available at: http://bit.ly/RAPdecouple).
[23] Cavanagh Direct at 4.
[24] Regulatory Assistance Project, *Revenue Regulation and Decoupling* at 45.

Changing the FCA to capture only a portion of foregone fixed costs creates an incentive to promote sales. The current FCA establishes a limit on fixed costs recovery, which ensures the Company collects no less—as well as no more—than the limit. Limiting the FCA to Company sponsored energy efficiency efforts will harm ratepayers when sales increase because the Company will be able to over-collect fixed cost revenue. Idaho Power acknowledges this effect by explaining a change creates "the unintended incentive to increase its energy sales as it would be allowed to keep 50% percent of any revenues in excess of its authorized fixed cost revenues."[25] Counter to Staff's comment, the current FCA does not penalize Idaho Power when loads increase.[26] Idaho Power states the "penalty" of missing the upside of increased sales is offset by certainty in recovering fixed costs.[27] Whether its 50% or some other amount, changing the FCA in a manner that allows Idaho Power to retain fixed cost revenues beyond those approved by the PUC harms ratepayers and undercuts the Commission's directive to pursue all cost-effective energy efficiencies.

Idaho Power's Alternate Proposal is Thoughtful, But Unnecessary

While Idaho Power urges the Commission to maintain the current FCA, they also propose an alternate resolution—a cap on annual changes in the average use per customer.[28] ICL appreciates this thoughtful proposal. While drastically better than the Staff's sharing proposal, Idaho Power's cap proposal unnecessarily complicates the FCA and fails to address the customer benefits of the current mechanism. Like the sharing proposal, the cap proposal incents Idaho Power to limit energy efficiency measures to remain within the cap. If usage per customers drops below the cap, the Company will forgo this lost revenue. The specter of forgone fixed cost revenue is a powerful incentive to limit energy efficiency activities. While Idaho Power based the cap on an analysis of historical changes in use per customer, this does not recognize the greatly expanded energy efficiency programs, rate designs, and non-programmatic actions than are likely to reduce customer use beyond historical achievements. Capping fixed cost recovery inevitably caps the Company's incentive to pursue all cost effective energy efficiency including an enhanced commitment to non-programmatic savings.

---

[25] Idaho Power Reply Comments at 10.
[26] Staff Comments at 5.
[27] Cavanagh Direct at 4.
[28] IPC Compliance filing at 5.

Idaho Power's alternate proposal also eliminates the other, independent benefits of the FCA—risk mitigation and cost control. To the extent the FCA does not capture changes in fixed cost recovery, it also does not provide the revenue stability favored by the credit rating agencies.[29] And, by allowing the Company to retain fixed cost recovery when use per customer exceeds the cap, this proposal incents the company to increase sales greatly—they are indifferent to changes within the cap, but benefit strongly from growth that exceeds the cap. Finally, cutting costs is hard work and any incentive to pursue this, as the current FCA provides, should be urgently pursued by the Commission. The Commission should not adopt the Staff's or Idaho Power's alternate proposals because they both deprive customers of the benefits of the current FCA and incent the Company to increase sales.

The current FCA provides three distinct benefits. All parties agree that the primary objective is to remove the inherent disincentive towards energy efficiency. Instructing Idaho Power to expand the pursuit of all cost-effective energy efficiency, particularly in the residential and small commercial classes, along with the enhanced commitment described in these comments, will ensure the FCA supports the primary objective. The current FCA delivers a separate set of benefits by mitigating risks and incenting cost control—benefits no party has rebutted. This second set can only be realized by continuing to capture all non-weather related changes in fixed costs recovery. Approving the current FCA maximizes these benefits and the proposed changes would hamper them. More importantly, the proposed changes do not deliver to ratepayers any benefits that exceed the benefits from the current mechanism. Ratepayers directly benefit by aligning a utility's financial interests with ratepayers interest in controlling their own energy bills and the utility's costs. Instead of complicating the FCA and eliminating the substantial benefits of a utility fully engaged on all aspects of energy efficiency, with strong risk mitigation mechanisms, and a financial incentive to control costs, the Commission should maintain the current FCA.

Respectfully submitted this 7th day of December, 2012

Benjamin J. Otto
Idaho Conservation League

[29] *See* notes 15 – 20 and accompanying text.

Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO CONVERT SCHEDULE 54-FIXED COST ADJUSTMENT-FROM A PILOT SCHEDULE TO AN ONGOING, PERMANENT SCHEDULE	)))))))	CASE NO. IPC-E-11-19 SUPPLEMENTAL COMMENTS OF THE IDAHO CONSERVATION LEAGUE

Exhibit 2

SNL Financial LC
Moody's: Decoupling is positive for utility company credit ratings

November 11, 2011

Friday, November 11, 2011 11:41 AM MT Exclusive

Moody's: Decoupling is positive for utility company credit ratings

By Abby Gruen

Decoupling in California has strengthened the long-term credit of a number of utilities by reducing their profit growth volatility, according to a recent Moody's report.

Utilities facing rising costs and capital needs, and regulators having to balance state energy efficiency plans with consumer bill fatigue, are turning more to decoupling mechanisms as a means to manage all-in rate increases.

"Moody's believes an increased use of single issue rate riders and trackers, alongside a more proactive and widespread adoption of energy efficiency programs, can hold a critical key to bridging the gap to a 21st century business model," Moody's analyst Ryan Wobbrock wrote in the Nov. 4 report.

In California, which has had decoupling for more than a decade, PG&E Corp., Sempra Energy subsidiaries San Diego Gas & Electric Co. and Southern California Gas Co., and Edison International subsidiary Southern California Edison Co. had less gross profit growth volatility than their peers over the past seven years, Moody's found.

"Decoupling, particularly when you have lower than expected sales growth, is an important issue, particularly because there has been evidence that weather adjusted sales for many utilities has been declining in some cases because of conservation efforts," Glenrock Associates LLC equity analyst Paul Patterson said. "It is one more tool in the kit to decrease volumetric risk associated with utilities, and it may become more of an issue in the future."

Moody's sees a generally positive regulatory environment for utilities, which have been able to get sizable base rate increases in a number of recent rate cases. Moody's predicts that regulators will gradually phase in special recovery and decoupling mechanisms in the future.

"To that end, a more deliberative transition towards single-issue rate riders, trackers and increasing acceptance of various revenue decoupling mechanisms accompanying energy efficiency conservation programs, would be widely viewed to be a credit positive," Wobbrock wrote in the Nov. 4 report.

Moody's said offsets to base rate increases from lower commodity prices may be "running their course," and suggested that annual true-up provisions in decoupling rules may be a means to manage consumer rate shock.

"We view these decoupling and special rate making mechanisms to be positive for the credit profile, not only because they give increased visibility and cost recovery assurance, but also because they can allow for more frequent smaller, automatic-type 'bites of the apple' that can help reduce rate shock potential," Wobbrock said in an interview.

Regulatory adoption has varied across the U.S. where disparate views can divide commissions. Opponents of decoupling say utilities have more incentive to control costs when they are affected by them, Moody's said.

Moody's found that decoupling did not stabilize credit ratios, such as cash flow coverage of interest and debt, which it factors in to its credit rating process, but it did find that decoupling causes predictable gross profit, which is a "quantitative credit positive."

SNL Financial LC, One SNL Plaza, PO Box 2124, Charlottesville, Virginia 22902 USA, (434) 977-1600

ICL EXHIBIT 2
IPC-E-11-19

December 7, 2012

Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO CONVERT SCHEDULE 54-FIXED COST ADJUSTMENT-FROM A PILOT SCHEDULE TO AN ONGOING, PERMANENT SCHEDULE	)))))))	CASE NO. IPC-E-11-19 SUPPLEMENTAL COMMENTS OF THE IDAHO CONSERVATION LEAGUE

Exhibit 3

Standard and Poor's Co., RatingsDirect
Summary: Idaho Power Company,

November 24, 2010

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

November 24, 2010

Summary:
Idaho Power Co.

Primary Credit Analyst:
Tony Bettinelli, San Francisco (1) 415-371-5067; antonio_bettinelli@standardandpoors.com

Secondary Contact:
Anne Selting, San Francisco (1) 415-371-5009; anne_selting@standardandpoors.com

Table Of Contents

Summary:
Idaho Power Co.

Credit Rating: BBB/Stable/A-2

Rationale

The 'BBB' corporate credit rating on IDACORP Inc. (IDA) and Idaho Power Co. (IPC) is based on the company's consolidated credit profile, which consists primarily of integrated regulated electric utility operations at IPC; and reflects an "excellent" business risk profile and "aggressive" consolidated financial risk profile under Standard & Poor's Ratings Services corporate risk profile matrix. IPC normally provides more than 90% of IDA's earnings and most of its consolidated cash from operations. IPC serves retail electric customers in Idaho and Oregon, which account for about 95% and 5% of regulated assets, respectively.

IDA and IPC's "excellent" business risk profile incorporates both a low-cost hydroelectric generation base and a credit-supportive regulatory environment in Idaho. Hydro generation provides about half of total generation needs under normal water conditions, but the proportion could lessen when new non-hydro generating resources are added. Significant hydroelectric generation results in some of the lowest average retail customer rates in the U.S, but also exposes the company to substantial replacement power price risk in the event of low water flows that lead to reduced generation. Idaho regulators have authorized a robust cost recovery mechanism to assist in collecting these costs and limiting financial exposure in Idaho, the company's chief service area.

IPC's revised annual power cost adjustment (PCA) mechanism in Idaho, implemented in 2009, supports credit quality and reduces the undercollection of power costs. The most significant credit-supportive components of the annually filed PCA mechanism include a sharing provision that reduces the company's power cost exposure to 5% of undercollected costs, and a forecast cost methodology that reduces deferrals and collection lag. In exceptionally low water years, deferrals can materially weaken cash flows and credit metrics, but Standard & Poor's generally views such collection delays as temporary because we expect 95% of costs above base rates will be collected with a carrying charge over 12 months. The previous PCA mechanism, which was less robust, had a long history of support and no record of significant disallowances.

The economic resilience of IPC's main service markets also supports the credit profile. Unemployment has been lower than regional and national averages, with low energy rates attracting businesses and jobs from other western states. Load growth and customer growth are expected to continue, albeit at slower rates.

The "aggressive" financial risk profile of IDA and IPC is marked by periodically low cash-flow-based credit metrics and average adjusted debt leverage, based on our indicative financial ratios. Average credit metrics have deteriorated and then rebounded since the company took steps to stabilize returns and cash flow with updated base rates and a modified power cost mechanism. Consolidated credit ratios improved in 2009, supported by base rate increases and PCA updates, but are partially offset by lower consumption due to the economy and mild weather. We do not consider load loss stemming from the company's significant energy efficiency spending a significant risk at this time, due to a fixed-cost adjustment (FCA) mechanism in Idaho that decouples certain costs from energy usage by residential and commercial customers. However, the recent Idaho commission decision to keep the FCA temporarily highlights the uncertainties in determining the credit impact of energy efficiency spending.

For the 12 months ended Sept. 30, 2010, IDA's consolidated adjusted funds from operations (FFO) to total debt was 15.1%, a slight decrease from a year earlier due to the overcollection of power costs in 2009. (We adjust credit metrics to include the debt equivalent of leases, purchased power obligations, and postretirement benefit obligations.) Cash-flow-based coverage ratios have improved significantly from an adjusted FFO to debt of less than 10% in mid-2008. We expect the company to maintain average adjusted FFO to debt of 13%-15% to ensure stability of the current ratings. The company's consolidated adjusted debt to total capitalization was 56.6% as of Sept. 30, 2010. Adjusted debt leverage remains aggressive, while reported debt leverage trended down to about 50%. Management appears to be targeting a balanced unadjusted capital structure, and has taken steps to maintain it.

Capital expenditures were about $250 million in 2009, and have risen in 2010 as a result of the proposed Langley Gulch power plant, which the Idaho Commission preapproved after legislation enacted in 2009 granted pre-approval authority. Capital expenditures for the 12 months ended Sept. 30, 2010, were $350 million. The size of IPC's planned capital expenditures and expected internal cash funding ability should allow the company to manage a balanced capital structure with occasional external capital. The need for external equity, assuming the capital structure is maintained, would increase if transmission proposals in the Northwest move forward.

Short-term credit factors

The 'A-2' short-term rating on IDA and IPC is supported by adequate liquidity and the ability to meet financial commitments. Consolidated liquidity is "adequate" under our corporate liquidity methodology, which categorizes liquidity under five descriptors. Under our analysis, projected sources of liquidity (mainly operating cash flow and available bank lines) exceed projected uses (mainly necessary capital expenditures, debt maturities, and common dividends), absent access to capital markets, with coverage of more than 1.2x for the upcoming 12 months. Cash flow volatility is highly dependent on hydrological conditions, and ample capacity must remain available for higher-than-expected power costs. The company has been able to fund about 71% of capital expenditures from net cash flows in the 12 months ended Sept. 30, 2010.

Liquidity is provided by a $100 million, five-year credit agreement at IDA and a $300 million, five-year credit facility at IPC, primarily used for deferred power costs. At Sept. 30, no commercial paper (CP) backed by the IPC facility or other draws were outstanding on IPC's credit facility, and $4 million of CP backed by IDA's credit facility was outstanding. Both facilities terminate on April 25, 2012. Each credit agreement contains a covenant requiring a leverage ratio of consolidated indebtedness to consolidated total capitalization of no more than 65% at the end of each fiscal quarter. At Sept. 30, the leverage ratios for IDA and IPC were 52% and 54%, respectively.

Recovery analysis

We rate IPC's first mortgage bonds 'A-' (two notches higher than the corporate credit rating on the company), with a recovery rating of '1+', reflecting our highest expectation (100%) for full recovery in a default scenario. Under Standard & Poor's criteria, first mortgage bonds with a '1+' recovery rating issued by companies in the 'BBB' rating category are rated two notches above the corporate credit rating.

Outlook

The stable outlook reflects our expectation of sufficient operating cash flows to support financial metrics that are adequate for the ratings, the ability to internally fund a significant portion of capital expenditures, and adequate management of regulatory relationships. We could lower the ratings if the company does not carefully manage costs and investments to ensure full recovery and the maintenance of credit metrics, especially in light of a weakening economy. We could raise the ratings if the company is able to consistently achieve significantly stronger financial metrics, in addition to solidly managing regulatory relationships, but higher ratings are unlikely in the near term.

Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO CONVERT SCHEDULE 54-FIXED COST ADJUSTMENT-FROM A PILOT SCHEDULE TO AN ONGOING, PERMANENT SCHEDULE	)))))))	CASE NO. IPC-E-11-19 SUPPLEMENTAL COMMENTS OF THE IDAHO CONSERVATION LEAGUE

Exhibit 4

Moody's Investor Services, Global Credit Research
Credit Opinion: Idaho Power Company,

March 9, 2011

MOODY'S
INVESTORS SERVICE

Credit Opinion: Idaho Power Company

Global Credit Research - 09 Mar 2011

Boise, Idaho, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured Shelf	(P)Baa1
Commercial Paper	P-2
Parent: IDACORP, Inc.	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured Shelf	(P)Baa2
Commercial Paper	P-2

Contacts

Analyst	Phone
Kevin G. Rose/New York	212.553.0389
William L. Hess/New York	212.553.3837

Key Indicators

[1]Idaho Power Company

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.6	4.3	3.0	2.4
(CFO Pre-W/C) / Debt	19%	18%	10%	7%
(CFO Pre-W/C - Dividends) / Debt	16%	15%	7%	3%
Debt / Book Capitalization	47%	46%	48%	45%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Relatively low risk, regulated electric utility business model

Capital expenditure program creates negative free cash flow over the intermediate-term

Recent implementation of improved cost recovery mechanisms

Sustainability of current credit metric levels will be key over intermediate-term

Corporate Profile

Idaho Power Company (IPC) is a vertically integrated electric utility and principal wholly-owned subsidiary of IDACORP, Inc. (IDA), a holding company which also serves as parent for other modest-sized non-utility businesses. IPC's service territory encompasses southern Idaho and eastern Oregon and its rates are regulated by the Idaho Public Utilities Commission (IPUC) and the Oregon Public Utility Commission (OPUC), while the Federal Energy Regulatory Commission (FERC) regulates its transmission operations.

SUMMARY RATING RATIONALE

The primary driver behind IPC's Baa1 senior unsecured rating is the regulatory support that it receives for its low risk utility operations. The recent improvement in IPC's credit metrics is largely due to improved cost recovery measures granted by the IPUC (Idaho being IPC's dominant service territory), including the supportive treatment afforded to IPC via single-issue rate cases, allowing the company to receive a more frequent true-up of costs than would otherwise be available through general rate cases. IPC's rating is benefitted by its significant reliance on low cost hydro generation to supply electricity and its lower than average exposure to increasingly stringent environmental mandates. The rating also takes into account that the current construction of new generation and transmission assets will pose a challenge over the intermediate-term as the company manages construction risk, increasing costs to customers and negative free cash flow.

DETAILED RATING CONSIDERATIONS

RELATIVELY LOW BUSINESS RISK PROFILE

The degree of regulatory support that IPC receives from the Idaho legislature and IPUC is the most important factor to IPC's credit profile. IPC operates as a rate regulated, vertically integrated electric utility company, providing electric service to over 492,000 customers in southern Idaho and eastern Oregon. Since IPC provides an essential service in a relatively supportive regulatory environment, earning it a degree of revenue and cash flow assurance, Moody's ascribes a low business risk to IPC's business profile. IPC is also parent to Idaho Energy Resources Company (IER). IER is a wholly-owned subsidiary, also subject to regulation, and is a one-third owner of Bridger Coal Company, which mines and supplies coal to IPC's Jim Bridger plant.

Aside from regulatory risk, some other key risks include the availability of hydro resources, commodity cost volatility and increasingly stringent environmental mandates. IPC is somewhat insulated from commodity risk (about 45% of IPC's generation is from coal generation, which burns about close to 4 million tons of coal each year, based upon IPC's pro rata ownership share; only a small percentage of generation is from natural gas fired facilities, but IPC's exposure to natural gas will increase once Langley Gulch comes online in 2012), given the pass-through nature of these costs, which effectively go straight to customer bills. While IPC has a high dependency (over 50% of IPC's generation is from hydro facilities) on hydro resources making it vulnerable to drought conditions, that reliance also positions IPC relatively well in regard to emissions costs, when compared to most utilities across the nation.

Furthermore, IPC is not burdened by having to support any material debt load at the IDACORP level since IDACORP divested most of its prior investments in riskier non-regulated businesses during a three-year period covering 2005 - 2007, and has since made IPC its principal focus. The remaining non-regulated investments, include independent power production at Ida-West Energy and affordable housing and other real estate investments at IDACORP Financial Services. Given the size of IDACORP's unregulated operations, they do not have a material influence over the credit profile of the company.

SIGNIFICANT INTERMEDIATE-TERM CAPITAL PROGRAM IS PRIMARY CHALLENGE

IPC's capital expenditures are expected to range from $775 - $805 million over the next three years, the primary outlay being the construction of the 300-330 megawatt natural gas plant at Langley Gulch. The total estimated expense for that project alone, including AFUDC, is $427 million, which could be in service as early as June 2012 (though it is contracted to be in service by November 1, 2012). The IPUC approved a certificate of public convenience and necessity (CPCN) for this plant in September 2009. In granting the CPCN, the IPUC relied upon Senate Bill 1123 (SB 1123) to pre-approve inclusion of approximately $400 million of construction costs in IPC's rate base concurrent with the commercial operation date for the Langley Gulch plant. We view this pre-approval as credit positive because it reduces the regulatory and financial risk that could otherwise be associated with this investment. Importantly, any investment in excess of the pre-approved amount would not necessarily be disallowed, but recovery of and return on the excess would be subject to a separate rate proceeding. Langley Gulch construction is currently on-time and within budget.

Other projects included in IPC's capex figures include: $92 million of initial phase costs for the Boardman-Hemingway Line and $40 million of initial phase outlays for the Gateway West transmission projects plus expenses related to Advanced Meter / Smart Grid technology. The Boardman-Hemingway Line is a proposed 299-mile, 500-kV transmission line between Boardman, OR and IPC's Hemingway station near Boise, ID. By the time of estimated completion in mid-2016, total costs for the Boardman-Hemingway line are expected to be about $820 million, with IPC's share to be between 30 and 50 percent. The Gateway West project is a joint venture with PacifiCorp (Baa1 issuer rating, stable outlook) to connect the Hemingway station with the Windstar station, located near Douglas, WY.

A mix of debt issuance and equity infusions from the parent are expected to be used to meet IPC's external funding requirements, while targeting a capital structure close to the current percentages of debt and equity. Also, given the level of planned capex, we expect that IPC will likely need to file for additional general rate increases to take effect in Idaho once the settlement period under its current rate agreement expires December 31, 2011.

SUITE OF COST RECOVERY MECHANISMS SHOULD MITIGATE METRIC VOLATILITY

Favorable regulatory actions, taken recently in Idaho, have been given positive qualitative considerations to the credit profile of IPC and should help mitigate some of the financial pressure assumed with IPC's current capex plans. A host of newly adjusted cost recovery practices, as of IPC's 2009 rate case settlement, should stabilize metrics at Baa1-appropriate levels going forward (about 4x CFO pre-WC interest coverage and 20% CFO pre-WC to debt).

Beyond the aforementioned SB 1123, which gives forward looking construction cost approval for Langley Gulch, the IPUC has allowed IPC to maintain its decoupling mechanism (Fixed Cost Adjustment, or FCA) through 2011. The FCA is intended to aid in the predictability and assurance of future cost recovery, as it attempts to assure a fixed cost reimbursement from customers, independent of the volume of energy used and variable costs. Any forward looking approvals or trackers are viewed to be beneficial to a company's credit profile, from Moody's perspective, since they should lead to greater predictability of revenue levels and cash flow recovery.

The most significant change in process of the 2009 rate orders was the power cost adjustment (PCA) rate decision. Specifically, IPC was able to use its most recent operating plan to forecast power supply expenses rather than the previous method based on forecasted Brownlee Reservoir inflow and a regression formula. This change became effective in February 2009 after the IPUC agreed with IPC that the utility's plan was a better indicator of anticipated expenses and should create a better matching between actual costs incurred and the amounts in customers' rates. This practice will continue in future PCA filings; accordingly, future PCA balances should be considerably less and thereby reduce cash lag. Moreover, the IPUC revised the sharing formula under the PCA mechanism to 95%/5% (customers/shareholders) from 90%/10% previously, thereby somewhat reducing risk to investors.

The load growth adjustment rate (LGAR), currently determined formulaically based on total production expenses included in current base rates, is intended to reduce regulatory risk as it adjusts IPC's net power supply costs, that are included in the annual PCA filings, for differences between actual load and the load used in calculating existing base rates. Part of the May 2010 IPUC order included an expectation that the IPUC Staff, IPC and interested parties would meet to address changes to the mechanism. IPC submitted comments for a revised methodology on January 14, 2011 and is currently awaiting determination from the IPUC. Moody's maintains a view that the ultimate result of the LGAR approval will continue to achieve the intended result of matching actual net power supply costs incurred and load growth experienced with levels assumed in setting existing rates; a credit positive.

SUSTAINABILITY OF CASH FLOW LEVELS COMPLICATED BY TEMPORARY TAX BENEFITS

Moody's is of the opinion that the suite of cost recovery mechanisms, which are currently available to IPC, should help stabilize the company's credit metrics at more robust levels than what occurred during the 2005-2008 timeframe (3.1x CFO pre-WC / Interest and 11.5% CFO pre-WC / Debt, on average); however, there are various one-time benefit items that complicate the discernment of the effectiveness of these mechanisms while also temporarily bolstering current cash flow levels.

While a variety of baseline factors contributed to the substantial strengthening of IPC's key credit metrics in 2009 and 2010, including general rate relief and cash recovery of regulatory assets, there were also favorable tax accounting impacts that are not viewed as an ongoing source of sizeable cash flow for the company. For example, IPC realized cash benefits due to 2009 capitalized repairs and uniform capitalization method changes of $33 million and $42 million, respectively. The majority of this cash benefit has been realized through reductions to cash payments that would have otherwise been owed to taxing authorities for the 2009 tax year and a federal refund of $24 million received in the fourth quarter of 2010. The company has added about $74 million to it uncertain tax positions in 2010, relating to capitalized repairs and uniform capitalization. The one-time nature of a cumulative tax adjustment available from a tax method change, or tax savings related to bonus depreciation enacted to stimulate economic growth, will not be an ongoing source of cash for the company, in Moody's opinion. This has the potential to significantly reduce key credit metrics in the future and pressure IPC's credit rating.

Despite some uncertainty regarding the run-rate of cash flow levels, Langley Gulch should be online and contributing to cash flow by mid-2012. In addition, IPC still maintains a significant amount of general tax credits to use for the benefit of future cash flow. Federal tax credits of $17 million, previously recognized, were restored due to the reduction of 2009 taxable income by the capitalized repairs and uniform capitalization method changes. The restored credits were a reduction to cash received in 2010, but will be available to deliver cash benefits in future periods. In addition, Idaho Power's 2010 rate settlement allows for the accelerated amortization of accumulated deferred investment tax credits (ADITC) if the company's actual rate of return on year-end equity in the Idaho jurisdiction is below 9.5% for any calendar year of the settlement period. IPC has the maximum of $25 million available of additional ADITC amortization for use in 2011.

Beyond the ability to mitigate a portion of one-time items that have benefited 2009 and 2010 metrics, Moody's is incorporating the view that management will continue to operate the company in a conservative and fiscally responsible manner, which will maintain credit metrics above the level exhibited during the 2005-2008 period. For example, the company used the significant improvements in the 2009 cash flow to contribute $60 million to fund its underfunded pension liability, an amount that greatly exceeded the required minimum funding amounts. As Moody's considers pension liabilities as part of total adjusted debt, this results in a credit positive action taken by management, though, due to discount rate movements, only decreased the obligation by $20 million from last year. Similarly, Moody's anticipates that as the company evaluates the use of bonus depreciation, any acquired near-term boost to CFO would be used to offset future capital needs and supplement a portion of IPC's negative free cash flow position.

Liquidity Profile

IPC has reasonable liquidity supported by internally generated cash flows and its own committed bank credit facilities. The company maintains a $300 million committed revolving bank credit facility which expires in April 2012 and is principally used to backstop its commercial paper program. As of December 31, 2010, IPC had about $224 million of unrestricted cash on hand and there were no direct borrowings under the facility and no commercial paper outstanding. There is, however, approximately $24 million of revolver capacity unavailable as it is earmarked for American Falls and Port of Morrow variable rate bonds, maturing in 2025 and 2027, respectively, that holders may put to Idaho Power. IPC has one financial covenant that applies to the revolver, which limits the debt to total capitalization ratio as defined to 65%. As of December 31, 2010, IPC's leverage ratio was 53%, leaving ample cushion against the covenant.

Moody's anticipates that IPC will be in a negative free cash flow position for the next several years, even with Langley Gulch capex ramping down in 2012. For 2011, Moody's estimates that IPC will generate slightly above $200 million of cash flow (our estimate of 20% of 2010 Revenue, as there is a rate moratorium until 2012) while spending around $325 million in capex and upstreaming dividends to IDACORP nearing $60 million, resulting in negative free cash flow of approximately $185 million. Expectations are that the company will continue to fund cash shortfalls with a balanced mix of debt and equity.

IPC's maturity profile appears very manageable, as the company's March 2, 2011 maturity of $120 million has been prefunded with a portion of the company's $200 million First Mortgage Bond issuance in August of 2010. The next material maturity for IPC is when $100 million comes due in November 2012.

Rating Outlook

IPC's stable rating outlook reflects more timely cost recovery, especially in Idaho, which should help avoid the past suppression of key metrics and sustain metric levels comparable to similarly rated peers. The lingering execution risks associated with ongoing capital spending projects and related external financing needs are tempered by assurances of future rate treatment for the Langley Gulch plant and anticipated conservative funding strategies.

What Could Change the Rating - Up

A rating upgrade is unlikely in the near-to-medium term; however, IPC's rating outlook could turn to positive if there are no material declines to the degree of regulatory supportiveness in future rate filings and benefits from rate relief materialize to produce metrics of 4.5x CFO pre-W/C interest coverage and 22% CFO pre-W/C to debt, on a sustainable basis.

What Could Change the Rating - Down

The rating would likely be revised downward if regulatory support wanes, if the various cost tracking mechanisms do not support the current level of credit metrics or if the absence of temporary cash flow contributions (such as bonus depreciation or tax benefits) were to drop metrics levels to, or below, 3.5x CFO Pre-W/C plus interest to interest and 15% CFO Pre-W/C to debt, for an extended period of time. Also, if there were any negative action from the IRS, regarding historical tax policies taken by the company, the rating could be downgraded.

Rating Factors

Idaho Power Company

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 12/31//2010		Moody's 12-18 month Forward View* As of March 2, 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)	49%	A	48-55%	A
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.0x	Baa	3.5 - 4.0x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	16%	Baa	15 - 20%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	12%	Baa	10 - 15%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	47%	Baa	45 - 50%	Baa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010; Source: Moody's Financial Metrics

MOODY'S
INVESTORS SERVICE

contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of December 2012, I delivered true and correct copies of the foregoing SUPPLEMENTAL COMMENTS OF THE IDAHO CONSERVATION LEAGUE to the following via the method of service noted:

Hand delivery:

Jean Jewell
Commission Secretary (Original and seven copies provided)
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Electronic Mail:

Idaho Power
Jason B. Williams
Lisa D. Nordstrom
Idaho Power Company
1221 West Idaho Street
Boise, Idaho 83707-0070
jwilliams @idahopower.com
lnordstrom@idahopower.com

Michael J. Youngblood
Zachary L. Harris
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
myoungblood@idahopower.com
zharris@idahopower.com

Ralph Cavanagh
Energy Program Director
Natural Resources Defense Council
111 Sutter St., 20th Floor
San Francisco, CA 94104
rcavanagh@nrdc.org

NWEC
Nancy Hirsh
NW Energy Coalition
811 1st Ave., Suite 305
Seattle, WA 98104
Ph: (206) 621-0094
nancy@nwenergy.com

Micron
Richard E. Malmgren
Sr. Asst. General Counsel
Micron Technology, Inc.
800 South Federal Way
Boise. ID 83716
remalmgren@micron.com

Thorvald A. Nelson
Frederick J. Schmidt
Holland & Hart LLP
6800 South Fiddlers Green Circle, Ste. 500
Greenwood Village, CO 80111
Tnelson@hollandhart.com
fschmidt@hollandhart.com

Ben Otto

Benjamin J. Otto